Towards A Real Conservation Ethic

Preamble

In 2007 our household chose to embark on a conservation program that has in 2011 come very close to achieving a fifty per cent reduction in electrical consumption. When we started this project we had one goal: reduce our household consumption in such a way that the money invested was recouped before we had to replace the appliances and light bulbs so that other residential households could follow in our footsteps.

Under FortisBC's current rate design we do not believe that it is possible to recoup our investment in energy saving devices and therefore it is highly unlikely that very many customers would follow our example. Thus our conclusion is that if ordinary folk cannot do it, it will not happen.

FortisBC, however (filed as part of my evidence earlier in this hearing), openly admitted during the 2009 Rate Design hearing that a reduction in the amount of kWh they had to sell to customers would likely result in a financial savings to all customer classes. Further, in this hearing they also readily admitted that a reduction in the number of kWh consumed in any given year would not reduce either their bottom line or their ability to borrow capital for operating.

With this information to hand, we believe that the Commission needs to set an inclining block rate with clear hard targets and a mechanism to get there. In this we note that in our first year we managed to achieve a 5% reduction in electrical consumption, and that this jumped to 45% in the second year.

In presenting this customer reality we must express our disappointment in FortisBC's attitude towards designing an inclining block rate – as it appears to us that they are putting up obstacles to achieving reductions in electrical consumption rather than finding solutions to their concerns around this issue.

We believe that we are an example of what can be achieved, However, the question remains as to whether either FortisBC or the Commission has the will to follow in our footsteps. In stating this we wish to remind the Commission of evidence filed in this hearing which determined that our 2010 consumption was only slightly above that of one-third of the residential customers.

Designing the Inclining Block Rate

We believe that energy is cheap in North America, but also take to heart FortisBC’s concern for a need to address rate shock. We would begin by setting the Step 1 rate at 9.217 cents per kWh, as we do not think the cost of consuming electricity should be lowered in the process of moving towards an inclining block rate.

As a means to address the issue of rate shock, we would set the initial Step 2 threshold at 1,600 kWh per billing period, 9,600 kWh annually, and lower it by 15% to 1,350 kWh at a reduction of 50 kWh per billing period, 300 kWh annually, over five years.

We believe that setting clear energy reduction hard targets, such as a 3% annual energy
consumption decline, is doable, and will also help residential customers focus on the purpose of introducing the inclining block rate. A gradual reduction in the Step 2 threshold will also address concerns about rate shock.

Next we believe that the Step 2 rate should be designed as a result of a reduction in the basic charge, and again we would be quite happy if that basic charge was reduced over a similar five year period to avoid rate shock.

At $29.34 we believe that the goal should be to reduce the basic charge to $9.78. While campaigning in the local government elections across Area D in October and November of this year, I have received anecdotal confirmation that West Kootenay Power's basic charge was lower than BC Hydro's in the late 1980's.

Without seeing hard cost-centre based evidence which demonstrates that basic charge costs have actually been reversed between FortisBC and BC Hydro, we continue to believe that this difference in the price of distributing power to residential customers should be eliminated. Here I want to be absolutely clear that I am not talking about transmission costs.

If the current provincial government and Commission are serious about having postage stamp rates across the province, this anomaly must be addressed in a timely manner. And, in future, the rise in the basic charge should be clearly tied to cost-centre increases, and not just mirror electrical energy rate increases. There can, in future, be no justification in raising basic charge costs, just because electrical energy costs have risen.

That said, as a layperson, I am not in a position to definitively tell you what the Step 2 rate should be set at. I do, however, believe that our household has given the Commission a framework by which to design it and reasons why it should be designed that way.

In conclusion, any inclining block rate design, including the basic charge, should allow the customer to recoup the cost of investing in energy efficient devices in a timely manner.

**Beyond the Inclining Block Rate**

If the Commission is disinclined to order a lowering of the cost of the basic charge then it must direct FortisBC to address how it would ensure that those who reduce their electrical consumption, under an inclining block rate, are not going to end up being financially penalized.

Here I am not simply thinking about our household, but am primarily thinking and asking that the Commission ensure that FortisBC address the impacts on low income households in general. Low income rural British Columbians started losing employment in the forestry sector as early as late 2005, which was, for them, the beginning of the current global recession.

Many individuals and families simply do not have enough in their bank accounts to meet daily basic needs, let alone invest in energy savings devices. In this regard the differences in rebates and programs between BC Hydro and FortisBC are stark and considerable.

The maximum our household has been offered on a rebate for a light bulb by FortisBC has been $5.00, whereas BC Hydro appears to go as high as $20.
Further, BC Hydro obviously tracks each customer’s annual rate of consumption, without smart metres I might add, as, when I recently explained the $75 annual rebate for reducing power consumption by 10% annually, a constituent then remarked:

“Oh, that’s why I got a $75 credit, couldn’t figure it out before.”

Basically what we are arguing is for the Commission to direct FortisBC to bring in a Demand Side Management (DSM) program that financially rewards residential customers who lower their electrical consumption.

A $75 credit for reducing power consumption by 10% addresses the concern that FortisBC has about not creating a situation whereby lower use residential customers are rewarded without actually participating in any conservation.

Our household, however, believes that FortisBC must be directed to go further and not just simply change the light bulbs in low income residences. At all times we believe that customers must be given the option to choose how they want to conserve electricity, and not have the company choose for them.

A low income does not mean that a person is less intelligent. However what it does mean is that that person, for whatever reason, has fewer financial resources with which to participate in society. Therefore, given that FortisBC has access to capital at much lower rates of interest than many residential customers, our household believes that FortisBC should be directed to offer a low income, no-interest loan program for purchase of energy savings devices.

Simply put, if a customer's bill is $91 per billing period and the proposed energy consumption reduction would bring that bill down to $76, FortisBC would lend that customer x amount of dollars at a repayment rate per billing period equivalent to the financial savings of $15 per billing period.

In that way the investment in light bulbs, an energy efficient fridge, etc does not cost the low income customer money that they do not have to spend. And in turn FortisBC gets to reduce the annual purchase of kWh at a low rate of interest if it borrows the money for this program. Consequently the cost of power to all customers should be reduced, as stated by FortisBC during the 2009 Rate Design hearing.

In conclusion our household is of the opinion that introduction of an inclining block rate, in and of itself, must be accompanied by clearly focused DSM programs that compliment the inclining block rate, especially if the Commission directs FortisBC to keep the basic charge at the same level.

Should the Commission Take into Account the Situation for Residential Customers of the Wholesale Group?

Summerland brought in an inclining block rate without any known prompting or assistance from FortisBC, at least not to my knowledge. So from my perspective, while I support any and all conservation programs, I believe that this is a matter that needs to be discussed between the wholesale customers and FortisBC.
The wholesale customers certainly need to know if an inclining block residential rate will impact them as customers, as do all other classes of customer. However, if I have understood FortisBC correctly, in the 2009 Rate Design hearing any decline in power purchasing should result in lower charges to all classes of customer.

Conclusion

Our household believes that it is technically possible for energy conscious residential customers to substantially reduce the amount of electrical energy consumed, without compromising a normal lifestyle. We remain, however, unconvinced that FortisBC is ready to adopt the necessary changes for that conservation ethic to be achieved, and yet it is our belief that adoption of this ethic is the only way FortisBC can hope to achieve energy self-sufficiency without building new generation facilities.

Finally, we are also extremely disappointed in FortisBC’s inability to think outside the box when it comes to addressing their concerns about introducing an inclining block rate. Sometimes when we are directed to do something by someone with the authority to regulate our behaviour, we need to get over the fact that we did not want to do that thing, and work with others to create the best solution possible under the circumstances.

As long time customers of FortisBC we feel like outsiders to a process in which we should be welcomed as partners, given the amount by which we have reduced our electrical consumption since 2006. We hope that the Commissioners take into account what we have achieved despite having no financial incentives, and that they will note that the majority of residential customers will not adopt what we did unless it is cost neutral for them.

Respectfully submitted,

Andy Shadrack